

Nov. 28, 2008

Mr. Bill Ayer, Chairman and CEO  
Alaska Air Group, Inc. ("AAG" or "company")  
PO Box 68947  
Seattle, WA 98168

Dear Mr. Ayer:

This Rule 14a-8 proposal is respectfully submitted for the next annual shareholder meeting. This proposal is submitted in support of the positive, long-term performance of our company.

The above format is requested for publication without re-editing, re-formatting or elimination of text, including beginning and concluding text, unless prior agreement is reached. It is respectfully requested that this proposal be proofread before it is published in the definitive proxy statement to ensure that the integrity of the submitted format is replicated in the proxy materials. Please advise if there is any typographical question.

Please note that the title of the proposal is part of the argument in favor of the proposal. In the interest of clarity and to avoid confusion, the title of this and each other ballot item is requested to be consistent throughout all the proxy materials.

The company is requested to assign a proposal number (represented by "5" below) based on the chronological order in which proposals are submitted. The requested designation of "5" or higher number allows for ratification of auditors to be item 2.

This proposal is believed to conform with Staff Legal Bulletin No. 14B (CF), September 15, 2004 including:

- Accordingly, going forward, we believe that it would not be appropriate for companies to exclude supporting statement language and/or an entire proposal in reliance on rule 14a-8(i)(3) in the following circumstances:
  - company officials object to factual assertions because they are not supported;
  - the company objects to factual assertions that, while not materially false or misleading, may be disputed or

countered;

- the company objects to factual assertions because those assertions may be interpreted by shareholders in a manner that is unfavorable to the company, its directors, or its officers; and/or
- the company objects to statements because they represent the opinion of the shareholder proponent or a referenced source, but the statements are not identified specifically as such [See also: Sun Microsystems, Inc. (July 21, 2005)].

Stock will be held until after the annual meeting and the proposal will be presented at the annual meeting.

Please acknowledge this proposal promptly by email.

This is the proxy for Mr. Richard D. Foley and/or his designee to act on my behalf in all shareholder matters, including this Rule 14a-8 proposal for the forthcoming shareholder meeting before, during and after the forthcoming shareholder meeting.

Please direct all future communication to Mr. Foley at:

6040 N. Camino Arturo, Tucson, AZ 85718

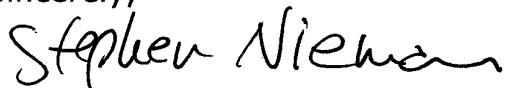
HM: (520) 742-5168

FAX: (520) 742-6963

Email: <[rreailer@earthlink.net](mailto:rreailer@earthlink.net)>

Your consideration and the consideration of the Board of Directors is appreciated.

Sincerely,



STEPHEN NIEMAN

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Stephen Nieman  
15204 NE 181st Loop  
Brush Prairie WA 98606

[AAG: Rule 14a-8 Proposal; submitted Nov. 28, 2008 via FAX (206) 392-5807 and email to karengruen@alaskaair.com]

## **Proposal No. 5 REFORMING SECURITIES CLASS ACTIONS**

**BÉ IT RESOLVED:** That the shareholders of Alaska Air Group, Inc. hereby recommend that the Board of Directors initiate the appropriate process to amend the Company's certificate of incorporation to provide for a partial waiver of the "fraud-on-the-market" presumption of reliance created by the Supreme Court in *Basic v. Levinson*, 485 U.S. 224 (1988).

Specifically, the amendment should apply to any suit alleging violations of Rule 10b-5 of the Securities Exchange Act of 1934 against the Company, its officers, directors or third-party agents. The partial waiver would apply to suits alleging reliance on the "fraud-on-the-market" presumption. The waiver would limit damages to disgorgement of the defendants' unlawful gains from their violation of Rule 10b-5. The amounts disgorged would be distributed to shareholder members of the class. The corporation should also commit to paying the reasonable expenses and attorneys' fees of the shareholder who brings such a claim, subject to approval by the Board of Directors.

### **SUPPORTING STATEMENT**

Securities fraud class actions impose enormous costs on public companies while providing little benefit to shareholders. This proposal, suggested by Professor Adam Pritchard of the University of Michigan, would limit damages in secondary market securities class actions, i.e., suits brought against the Company when it has not sold securities during the time that its common stock was allegedly distorted by a material misrepresentation. See:  
[http://www.cato.org/pubs/scr/2008/Stoneridge\\_Pritchard.pdf](http://www.cato.org/pubs/scr/2008/Stoneridge_Pritchard.pdf);  
<http://www.law.com/jsp/nlj/PubArticleNLJ.jsp?id=1202424567666>  
<http://www.securitiesdocket.com/2008/11/17/guest-column-can-shareholders-waive-the-fraud-on-the-market-presumption-of-reliance/>.

Currently, such suits effectively result in a "pocket shifting" of money from one group of shareholders (those who continue to hold the company's shares) to another (those who bought during the time that

the price was distorted by fraud). Frequently, shareholders will be members of both groups simultaneously, which means they are paying themselves compensation in securities class actions.

Sometimes the corporation pays directly for the settlement, and sometimes it pays indirectly in the form of insurance premia, but either way these settlements come out of funds that the corporation could use to pay dividends or make new investments. Almost never do the officers who actually made the misrepresentation have to contribute to the settlement. Consequently, suits provide minimal compensation and, worse yet, scant deterrence of fraud. The only clear winners under this scheme are the lawyers who bring the suits, and those who defend them, who profit handsomely from moving the money around.

The proposed amendment would substantially reduce the incentive of plaintiffs' lawyers to file suit against the Company in response to a drop in the Company's stock price. Currently, the enormous potential damages are a powerful incentive for plaintiffs' lawyers to bring even weak suits and a powerful incentive for companies to settle, even if they believe that they would win at trial.

Under the proposal, lawsuits would instead target officers of the Company who reaped large stock option gains or other incentive compensation as the result of fraud, thereby penalizing the party actually responsible for the fraud.

We urge shareholders vote for proposal No. 5.

(For more information, please visit [www.votepal.com/](http://www.votepal.com/))

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Notes:

Stephen Nieman of 15204 NE 181st Loop, Brush Prairie, WA 98606 submitted this proposal.

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Please acknowledge this proposal promptly by email.

## OWNERSHIP UNION (OU®)

15204 NE 181<sup>st</sup> Loop  
P.O. Box 602  
Brush Prairie, WA 98606  
Fax: 360-666-6483

### FASCIMILE

To: Karen Gruen  
AAG

Date: 11-28-08

Fax No: (206) 392-5807

From: Steve Nieman

Cover Plus: 15

Email: [stevenieman@mac.com](mailto:stevenieman@mac.com)

Notes: